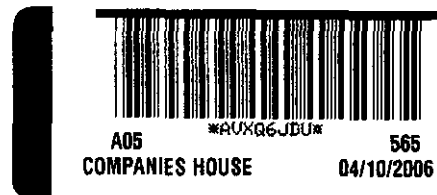


West Anglia Great Northern Railway Limited

Directors' Report and Accounts

For the year ended 31 December 2005

Company number: 3007944



Registered office:

75 Davies Street
London
W1K 5HT

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West Anglia Great Northern Railway Limited

Directors' Report

The Directors present their Report and Accounts for the year ended 31 December 2005.

Principal activities

The principal activity of the Company during the last financial year was the operation of passenger railway services between Kings Cross and Peterborough, and between Kings Cross and Cambridge.

Review of business developments and prospects

Passenger revenue growth for the Great Northern route was 4.9% after normalising for the transfer of the West Anglia and Stansted Express routes to the new Greater Anglia franchise at 1 April 2004.

The percentage of trains arriving on time (as calculated by the Public Performance measure) increased during the year to 89%.

Post Balance Sheet Event

On 1 April 2006, the West Anglia Great Northern franchise ended, with certain assets and liabilities transferred to First Capital Connect Limited.

Results and dividend

The profit for the year attributable to the shareholders amounts to £13,567,000 (2004: £17,419,000 as restated). The Directors proposed the payment of a dividend of £50,000,000 on 31 October 2005 (2004: £nil).

Directors

The Directors of the Company who served during the year are listed below:-

	<u>Date Appointed</u>	<u>Date Resigned</u>
A. C. R. Golton		
A.N.Chivers		
D.C. Hamilton		30 November 2005
D. D. G. Booth		
D Franks		
J.B.Ratcliffe		
M. J. Hopwood		
R. O'Toole		
R. S. Smith		04 March 2005
S. Goldsmith	04 May 2005	

Company secretary

J Casson

West Anglia Great Northern Railway

Directors' Report

Directors' interests

None of the directors had a beneficial interest in the shares of the Company.

R. O'Toole is a director of the ultimate parent company, and his interests in the share capital of that company is shown in the accounts of National Express Group PLC.

The Directors in office at 31 December 2005 and their families had the following beneficial interest in the share capital of National Express Group PLC.

	<u>Ordinary Shares</u>				<u>Options</u>			
	At 1 January 2005	At 31 December 2005	At 1 January 2005*		Granted during period	Exercised	Lapsed during period	At 31 December 2005
D. D. G. Booth	-	3,960	3,478	A				3,478
			11,522	B				11,522
			16,025	J				16,025
			453	K				453
			28,266	C				28,266
			25,698	N				25,698
			-	P	1,900			1900
			-	Q	8,500			8500
A.N. Chivers (i)	7	2,963 (i)	3,478	A				3,478
			1,522	B				1,522
			11,538	J				11,538
			18,844	C				18,844
			13,767	O				13,767
			453	K		453		-
			-	P	1,357			1,357
			-	Q	5,450			5,450
D. Franks	-	759	26,432	N				26,432
			4,405	O				4,405
			-	Q	2,530			2,530
			-	P	23,561			23,561
A.C.R. Golton	-	-	5,000	D			5,000	-
			5,000	E			5,000	-
			10,000	G				10,000
			1,522	B				1,522
			3,478	A				3,478
			7,692	J				7,692
			11,935	C				11,935
			7,214	N				7,214
			-	Q	1,066			1,066
J.B. Ratcliffe	-	-	3,115	H				3,115
			4,385	I				4,385
			7,500	B				7,500
			6,367	J				6,367
			9,673	C				9,673
			3,120	N				3,120
			-	P	922			922
M.J. Hopwood	-	-	3,304	O				3,304
			-	P	977			977
S Goldsmith	-	60	-	Q	100			100

*As at 1 January 2005 or as at date of appointment if later.

- (i) Andrew Chivers's shareholding includes shares appropriated and then released on 11.08.03 under Prism Rail Profit Sharing Scheme (2000).

West Anglia Great Northern Railway

Directors' Report

Options Granted Under National Express Group PLC Executive Share Option Scheme:

- A Granted on 19.04.01 under the 1992 Executive Share Option Scheme at £8.625.
- B Granted on 19.04.01 under the 1996 Executive Share Option Scheme (Unapproved) at £8.625.
- C Granted on 18.03.03 under the 2002 Executive Share Option Scheme (Unapproved) at £3.98.
- D Granted on 23.03.98 under the 1996 Executive Share Option Scheme (Unapproved) at £8.465.
- E Granted on 14.09.98 under the 1996 Executive Share Option Scheme (Unapproved) at £9.465.
- F Granted on 22.03.99 under the 1996 Executive Share Option Scheme (Unapproved) at £12.24.
- G Granted on 20.04.00 under the 1996 Executive Share Option Scheme (Unapproved) at £5.25
- H Granted on 13.09.99 under the 1992 Executive Share Option Scheme at £9.63.
- I Granted on 13.09.99 under the 1996 Executive Share Option Scheme (Unapproved) at £9.63.
- J Granted on 05.07.02 under the 2002 Executive Share Option Scheme (Unapproved) at £5.85
- K Options Granted under NEG Sharesave Scheme on 17.10.02 at £4.17 and exercised by A Chivers at a market price of £9.09
- L Granted on 05.07.02 under the 2002 Executive Share Option Scheme at £5.85
- M Granted on 20.04.00 under the 1996 Executive Share Option Scheme at £5.25
- N Granted on 12.05.04 under 2002 Executive Share Options Scheme (Unapproved) at £6.81
- O Granted on 12.05.04 under 2002 Executive Share Options Scheme at £6.81
- P Awarded on 27.06.05 under the Deferred Annual Share Bonus Scheme.
- Q Awarded on 27.06.05 under the Long Term Investment share Matching Scheme.

Details of each of the above share option schemes are given in the Annual Report and Accounts of National Express Group PLC for the year ended 31 December 2005.

Employee involvement

West Anglia Great Northern Railway Limited is a non-discriminatory employer operating an Equal Opportunities Policy which aims to eliminate unfair discrimination, harassment, victimisation and bullying. The Company is committed to ensuring that all individuals are treated fairly, with respect and are valued irrespective of disability, race, gender, health, social class, sexual preference, marital status, nationality, religion, employment status, age or membership or non-membership of a trade union.

The Company uses the consultative procedures agreed with its staff and elected representatives with a view to ensuring that employees are aware of the financial and economic factors which affect the Company's performance and prospects.

It is policy to continue to employ those who become disabled in service, together with some recruitment where circumstances permit. Training is adjusted to cater for an individual disability and the disabled share the same conditions of service as other staff in relation to career development and promotion.

Charitable and political contributions

The Company made charitable donations of £nil (2004: £nil) during the year.

It is the Company's policy not to make political contributions and accordingly none were made in the year.

Supplier payment policy

It is the policy of the Company to pay its suppliers within contractual and invoiced terms. Trade creditor days of the Company, for the year ended 31 December 2005, were 25 days based on the ratio of Company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors (2004: 33 days).

West Anglia Great Northern Railway

Directors' Report

Auditors

In accordance with section 386 of the Companies Act 1985 a resolution has been passed to dispense with the obligations to appoint auditors annually. Accordingly, Ernst & Young LLP shall be deemed to be reappointed as auditors 28 days after the accounts are sent to members.

By order of the Board



A Golton
Director

Date approved by the Directors: 30 May 2006

West Anglia Great Northern Railway Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of West Anglia Great Northern Railway

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

London

Date 30/5/06

West Anglia Great Northern Railway Limited

Profit and Loss Account

For the year ended 31 December 2005

	Note	2005 £000	2004* £000
Turnover	2		
Passenger income		139,855	162,330
Revenue grant		3,699	6,103
Other operating income		15,693	14,855
		<u>159,247</u>	<u>183,288</u>
Operating costs		<u>(145,113)</u>	<u>(163,470)</u>
Operating profit	3	14,134	19,818
Interest receivable	6	8,295	8,200
Interest payable	6	<u>(2,919)</u>	<u>(2,865)</u>
Profit on ordinary activities before taxation		19,510	25,153
Taxation on profit on ordinary activities	7	<u>(5,943)</u>	<u>(7,734)</u>
Profit for the financial year		13,567	17,419
Dividends	8	<u>(50,000)</u>	<u>-</u>
Retained (loss)/profit for the financial year		<u>(36,433)</u>	<u>17,419</u>

*Restated for change in accounting policy for defined benefit pension scheme (see note 1)

All activities relate to discontinued operations.

There is no difference between the profit on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

West Anglia Great Northern Railway Limited

Statement of Total Recognised Gains and Losses

For the year ended 31 December 2005

	2005 £'000	2004* £'000
(Loss/)profit for the financial year & total (loss)/gains relating to the period	(36,433)	17,419
Actuarial loss on defined benefit pension scheme	(400)	(650)
Deferred tax on actuarial loss	120	195
Total recognised gains and losses relating to the year	(36,713)	16,964
Prior year adjustment for defined benefit pension scheme (see note 1)	(67)	
Total recognised gains since last annual report	(36,780)	

*Restated for change in accounting policy for defined benefit pension scheme (see note 1)

Shareholders' funds at 1 January 2005 were originally £59,671,000 before subtracting prior year adjustment of £67,000 (see note 19).

West Anglia Great Northern Railway Limited

Statement of Total Recognised Gains and Losses

For the year ended 31 December 2005

	2005 £'000	2004* £'000
(Loss)/profit for the financial year & total (loss)/gains relating to the period	(36,433)	17,419
Actuarial loss on defined benefit pension scheme	(400)	(1,650)
Deferred tax on actuarial loss	120	495
Total recognised gains and losses relating to the year	(36,713)	16,264
Prior year adjustment for defined benefit pension scheme (see note 1)	(67)	
Total recognised gains since last annual report	(36,780)	

*Restated for change in accounting policy for defined benefit pension scheme (see note 1)

Shareholders' funds at 1 January 2005 were originally £59,671,000 before subtracting prior year adjustment of £67,000 (see note 19).

West Anglia Great Northern Railway Limited

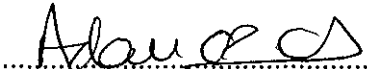
Balance Sheet

As at 31 December 2005

	Note	2005 £000	2004* £000
Fixed assets			
Intangible assets	9	51	254
Tangible assets	10	4,289	3,904
Investments	11	-	-
		<u>4,340</u>	<u>4,158</u>
Current assets			
Stocks	12	1,685	1,717
Debtors	13	31,509	65,645
Cash at bank and in hand		42,012	50,637
		<u>75,206</u>	<u>117,999</u>
Creditors: amounts falling due within one year	14	<u>(55,160)</u>	<u>(60,631)</u>
Net current assets		<u>20,046</u>	<u>57,368</u>
Total assets less current liabilities		24,386	61,526
Creditors: amounts falling due after one year	15	(81)	(222)
Provisions for liabilities and charges	16	<u>(1,330)</u>	<u>(1,406)</u>
Net assets excluding net pension liability		22,975	59,898
Net pension liability	22	(84)	(294)
Net Assets		<u>22,891</u>	<u>59,604</u>
Capital and reserves			
Share capital	18	2,375	2,375
Share premium account	19	7,125	7,125
Profit and loss account	19	<u>13,391</u>	<u>50,104</u>
Equity shareholders' funds		<u>22,891</u>	<u>59,604</u>

*Restated for change in accounting policy for defined benefit pension scheme (see note 1)

On behalf of the board:

 Director

Date: 30 May 2006

The notes on pages 12 to 26 form part of the accounts.

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the year ended 31 December 2005

1. Accounting policies

(a) Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Statement of compliance

The entity is required to comply with UK accounting standards and UK Company legislation except in special circumstances where management concludes that compliance would be so misleading that it would conflict with the objective to present a true and fair view of its accounts. On this basis, the entity has departed from the following requirement:

- FRS 17 'Retirement Benefits' - The Company has accounted for its constructive but not legal obligation for the Railways Pension Scheme ("RPS") under the terms of its franchise agreement.

- FRS 10 'Goodwill and Intangibles' - Accounting for the intangible asset departs from FRS 10 as the franchise agreement is not a separately identifiable asset as defined by the standard. Details of the background and rationale for these departures are provided in note 22, including the impact on the Company's financial performance and position of adopting this accounting treatment as required by FRS 18 'Accounting Policies' and UK Company legislation.

(c) Change in accounting policy – FRS 17, 'Retirement benefits' and FRS 21, 'Post Balance Sheet Events'

The company has adopted FRS 17, 'Retirement benefits' in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly.

The effect of the change in accounting policy was to increase staff costs, intangible asset amortisation, other interest receivable and deferred taxation by £573,000 (2004: £842,000); £203,000 (2004: £152,000); £1,300,000 (2004: £1,830,000) and £210,000 (2004: £291,000) respectively, to increase profit for the year by £314,000 (2004: £545,000); and to increase the total recognised gains by £34,000 (2004: £90,000).

Under FRS 21, 'Post Balance Sheet Events' the company now recognises dividends in the period they are declared.

(d) Turnover

Passenger income represents amounts agreed as attributed to the Company by the income allocation systems of the Rail Settlement Plan Limited, mainly in respect of passenger receipts. Income is attributed based principally on models of certain aspects of passengers' travel patterns and, to a lesser extent, from allocations agreed for specific revenue flows. The attributed share of season ticket income is deferred within creditors, and released to the profit and loss account over the period of the relevant season ticket. Revenue grant relates to amounts receivable from the Department for Transport (DfT). Income is recognised on an accruals basis.

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the year ended 31 December 2005

1. Accounting policies (continued)

(d) Turnover (continued)

Other income is derived from ticket commissions, station trading income, depot and station access payments, performance regime payments, and the provision of goods or services to other train operating companies and excludes VAT. It is recognised on an accruals basis.

(e) Taxation

Corporation tax is provided on taxable profits at the current rate.

(f) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost. Depreciation is provided on a straight line basis to write off the cost less estimated residual value of fixed assets over their expected useful economic lives as follows:-

Leasehold improvement	10 – 15 years
Plant and equipment	3 – 10 years
Motor vehicles	3 years

(g) Stocks

Stock are valued at the lower of cost and net realisable value after making due allowance for obsolete or slow moving items.

(h) Grants

Capital grants are credited to deferred grant income and released to the profit and loss account over the estimated useful economic lives of the related assets.

(i) Leased assets

Assets held under finance leases are included as tangible fixed assets and depreciated over their expected useful lives. The corresponding obligations relating to finance leases, excluding finance charges allocated to future periods, are included in creditors. Finance costs are allocated to the profit and loss account on a straight line basis.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the year ended 31 December 2005

1. Accounting policies (continued)

(j) Retirement benefits (continued)

The Company contributes to a defined benefit pension scheme on behalf of the majority of employees. Full details are provided in note 22 including the departure from FRS 17 required for the Company's RPS obligations.

The trustees complete a full actuarial valuation triennially, separately for each section of the RPS, but the obligation is updated annually by independent actuaries using the projected unit credit method for financial reporting purposes.

The Company participates in the RPS, a defined benefit scheme which covers the whole of the UK Rail industry. This is partitioned into sections and the Company is responsible for the funding of the sections whilst it operates the relevant franchise. In contrast to the pension schemes operated by most businesses, the RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee. A liability is recognised, although this is offset by a franchise adjustment so that the net liability represents the deficit that the Group expects to fund during the franchise term. This represents a departure from FRS 17 so as to present fairly the Company's financial performance, position and cash flow in respect of its obligations for the RPS.

The current service cost and gains and losses on settlements and curtailments are recognised in staff pension costs within operating costs in the income statement. Past service costs are included in operating costs where the benefits have vested, otherwise they are amortised on a straight-line basis over the vesting period. The expected return on assets of funded defined benefit schemes and the interest on pension scheme liabilities comprise the finance element of the pension cost and are included in interest costs. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to the statement of total recognised gains and losses in the period in which they arise.

The charges in respect of defined contribution schemes are recognised when they are due. The Company has no legal or constructive obligation to pay further contributions into a defined contribution scheme if the fund has insufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

(k) Intangible assets

An intangible asset is recognised, representing the Company's willingness to take responsibility, at the inception of a franchise or extension of a franchise contract, for the funding of the pension deficit in anticipation of generating future economic benefits over the franchise term. This is a departure from FRS 10 as the franchise agreement is not a separately identifiable asset as defined in the standard. Details of the background and rationale for this departure are provided in note 22, including the impact on the Group's financial performance and position of adopting this accounting treatment as required by FRS 18 'Accounting Policies' and Companies legislation.

The intangible asset in respect of the right to operate the Wagn franchise is capitalised at cost. This asset has a residual value of nil and is amortised on a straight-line basis over the life of the franchise.

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the year ended 31 December 2005

1. Accounting policies (continued)

(l) Deferred tax

Deferred tax is recognised in respect of all material timing differences that have originated, but not reversed, by the balance sheet date. Deferred tax is measured on non-discounted basis at tax rates that are expected to apply in the periods in which the timing differences reverse. Deferred tax assets are recognised where their recovery is considered more likely than not in that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

(m) Pre-contract costs

Pre-contract costs associated with securing new rail franchises are expensed as incurred, except where it is virtually certain that franchise will be awarded, in which case they are recognised as an asset and are expensed to profit and loss account over the life of the franchise. Costs associated with commencement of new contracts are expensed as incurred.

2. Turnover

All turnover originates in the United Kingdom.

The Directors consider that the whole of the activities of the Company constitute a single class of business.

3. Operating profit

	2005 £000	2004 £000
Operating profit is stated after charging/(crediting):		
Depreciation - Owned assets	1,183	718
- Finance leased assets	137	155
- Impairment	2,900	-
Amortisation of intangible assets	203	152
Profit on sale of assets	-	(209)
Operating lease rentals		
Fixed track access	27,492	36,776
Other	1,148	1,265
Land and buildings	39,093	48,872
Rolling stock charges	28,903	33,063
Variable track access	10,453	10,831
Auditors' remuneration - Audit fees	37	29
- Other services	-	3

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the year ended 31 December 2005

4. Directors' emoluments

	2005	2004
	£000	£000
Aggregate emoluments in respect of qualifying services to the Company	127	221

The emoluments excluding pension contributions of the highest paid director were £127,200 (2004: £153,848). His accrued pension and accrued lump sum benefit, as at 31 December 2005, were £30,941 (2004: £37,405) and £26,468 (2004: £39,239) respectively.

Messrs O'Toole, Buchan, Booth, Franks, Chivers, Hamilton, Ratcliffe, Smith and Mrs. Goldsmith received no remuneration from the Company in the year to 31 December 2005. Mr. O'Toole was also a director of National Express Group PLC at the end of the year and his interests are disclosed in the Annual Report of that company. Andrew Chivers exercised share options during the year.

Retirement benefits accrued during the year to one director (2004: one) under a defined benefit scheme in respect of services provided to the Company.

5. Staff costs

	2005	2004*
	£000	£000
Wages and salaries	31,739	35,994
Social security costs	2,576	2,972
Pension costs (see note 21)	3,100	3,560
	37,415	42,526

*Restated for change in accounting policy for revenue recognition (see note 1).

The average number of employees (including directors) during the year was as follows:

	2005	2004
	No.	No.
Managerial and administrative	216	229
Operational	898	903
	1,114	1,132

6. Interest

	2005	2004*
	£000	£000
Interest receivable		
Bank deposits	1,306	988
Interest income on pension scheme	4,200	4,680
Interest receivable from group undertakings	2,789	2,532
	8,295	8,200

*Restated for change in accounting policy for defined benefit pension scheme (see note 1)

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the year ended 31 December 2005

6. Interest (continued)

	2005	2004*
	£000	£000
Interest payable		
Interest payable on finance leases	(19)	(15)
Interest payable on pension scheme	(2,900)	(2,850)
	(2,919)	(2,865)
	5,376	5,335

*Restated for change in accounting policy for defined benefit pension scheme (see note 1)

7. Taxation

(a) The tax charge on profit on ordinary activities before taxation is made up as follows:

	2005	2004*
	£000	£000
Current taxation:		
UK corporation tax at 30% (2004: 30%)	6,436	6,887
	6,436	6,887
Deferred taxation:		
Origination and reversal of timing differences	(703)	556
Defined benefit pension	210	291
	(493)	847
Tax on profit on ordinary activities	5,943	7,734

*Restated for change in accounting policy for defined benefit pension scheme (see note 1)

(b) The tax charge on profit on ordinary activities before taxation is made up as follows:

	2005	2004*
	£000	£000
Profit on ordinary activities before tax	19,510	25,153
Notional charge at UK corporation tax rate of 30%	5,853	7,546
Depreciation in excess of capital allowances	318	(545)
Effect of short-term timing differences	212	(246)
Permanent disallowables	53	132
Current tax charge for the year	6,436	6,887

*Restated for change in accounting policy for defined benefit pension scheme (see note 1)

(c) There are no significant factors affecting the future tax charge.

8. Dividends

	2005	2004
	£000	£000
Dividend payable	50,000	-

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the year ended 31 December 2005

9. Intangible assets

	2005 £000
Cost:	
At 1 January 2005 and 31 December 2005*	406
Amortisation:	
At 1 January 2005	152
Charge for year	203
31 December 2005	355
Net book value:	
31 December 2005	51
At 1 January 2005*	254

*Restated for change in accounting policy for defined benefit pension scheme (see note 1)

Further details are included in note 22.

10. Tangible assets

	Motor Vehicles £000	Plant & Equipment £000	Total £000
Cost			
At 1 January 2005	100	14,317	14,417
Additions	-	4,605	4,605
Disposals	-	-	-
At 31 December 2005	100	18,922	19,022
Depreciation			
At 1 January 2005	100	10,413	10,513
Charge for the year	-	1,320	1,320
Impairment	-	2,900	2,900
At 31 December 2005	100	14,633	14,733
Net book value			
At 31 December 2005	-	4,289	4,289
At 31 December 2004	-	3,904	3,904

Tangible assets held under finance leases in plant and equipment had a net book value of £113,000 at 31 December 2005 (2004: £199,000).

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the year ended 31 December 2005

11. Investments

The Company held the following investments at the 31 December 2005 and at the 31 December 2004:

	Country of registration	Number of shares held	Class of share	Proportion held
ATOC Limited	UK	1	Ordinary (4p)	4%
Rail Settlement Plan Limited	UK	1	Ordinary (4p)	4%
Rail Staff Travel Limited	UK	1	Ordinary (4p)	4%
NRES Limited	UK	1	Ordinary (4p)	4%

The principal activity of the above companies is to provide a range of services to all passenger rail operators, each of which have an equal share in the companies.

12. Stocks

	2005 £000	2004 £000
Engineering spares and consumable supplies	1,685	1,717

13. Debtors

	2005 £000	2004 £000
Trade debtors	11,637	11,923
Amounts due from group undertakings	14,075	47,028
Other debtors	1,769	1,976
Prepayments and accrued income	1,736	3,129
Deferred tax asset (see note 17)	2,292	1,589
	31,509	65,645

14. Creditors: amounts falling due within one year

	2005 £000	2004 £000
Trade creditors	22,110	22,736
Amounts due to group undertakings	2,755	5,209
Finance lease obligations	117	164
Social security and other taxation	759	587
Corporation tax	3,135	2,762
Accruals and deferred income	3,743	6,497*
Other creditors	5,942	7,272
Deferred season ticket income	16,599	15,404
	55,160	60,631

*Restated for change in accounting policy for defined benefit pension scheme (see note 1)

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the year ended 31 December 2005

15. Creditors: amounts falling due after one year

	2005	2004
	£000	£000
Finance lease creditor	81	222

16. Provision for liabilities and charges

	£000
At 1 January 2005	1,406
Provided in the year	126
Utilised in the year	(202)
At 31 December 2005	1,330

The insurance provision arises from the estimated exposure at the year end on existing insurance claims which are open for up to six years. The provision is held for that period until utilised.

17. Deferred tax (excluding deferred tax on defined benefit pension scheme)

(a) The movement in the year is as follows:

	£000
At 1 January 2005	1,589
Increase in the year	703
At 31 December 2005	2,292

(b) The major components of the deferred tax asset are as follows:

	2005	2004
	£000	£000
Depreciation in excess of capital allowances	1,645	1,372
Short term timing differences	647	217
	2,292	1,589

The Company has recognised a deferred tax asset as there are anticipated to be suitable taxable profits available against which the reversal of timing differences can be deducted.

18. Share capital

<i>Authorised</i>	2005	2004
	£000	£000
9,500,000 Ordinary shares of 25p each	2,375	2,375
<i>Allotted, called up and fully paid</i>		
	2005	2004
	£000	£000
9,500,000 Ordinary shares of 25p each	2,375	2,375

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the year ended 31 December 2005

19. Reserves

	Share premium account £000	Profit and loss account £000	Total £000
At 1 January 2005 as previously reported	7,125	50,171	57,296
Prior year adjustment (see note 1)	-	(67)	(67)
	7,125	50,104	57,229
Actuarial losses	-	(400)	(400)
Deferred tax on actuarial losses	-	120	120
Retained loss for the year	-	(36,433)	(36,433)
At 31 December 2005	7,125	13,391	20,516

20. Reconciliation of movements in shareholders' funds

	2005 £000	2004* £000
Total recognised net (losses) and gains for the year	(36,713)	16,964
Net movement in shareholders' funds	(36,713)	16,964
Shareholders' funds at 1 January†	59,604	42,640
Shareholders' funds at 31 December	22,891	59,604

*Restated for change in accounting policy for defined benefit pension scheme (see note 1)

†Shareholders funds at 1st January 2005 were originally £59,671,000 before subtracting the prior year adjustment of £67,000.

21. Operating lease commitments

	Land & buildings 2005 £000	Other 2005 £000	Total 2005 £000	Land & buildings 2004 £000	Other 2004 £000	Total 2004 £000
Leases which expire:						
Within one year	7,895	7,265	15,160	-	-	-
Between two and five years	-	-	-	27,682	28,045	55,727
	7,895	7,265	15,160	27,682	28,045	55,727

The Company had contracts with Network Rail Infrastructure Limited for access to the railway infrastructure (track, stations and depots), which were transferred to the new franchisee from 1st April 2006.

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the year ended 31 December 2005

22. Retirement benefits

The majority of the Company's employees are members of the West Anglia Great Northern Railway Ltd Shared Cost Section of the RPS, a funded defined benefit scheme. The RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee. To date, the Group, within which this Company is a member, has experienced three changes of UK Train franchise ownership where the current owner has funded the scheme during the franchise term and the pension deficit at franchise exit has transferred to the new owner, without cash settlement. However, although the Group's past experience has proven otherwise, our legal advice has opined that in certain situations, some of the liability for the deficit on the relevant sections of the RPS could theoretically crystallise for funding by an individual TOC at the end of the franchise. By entering into the franchise contract, the TOC becomes the designated employer for the term of the contract and under the rules of the RPS must fund its share of the pension liability in accordance with the schedule of contributions agreed with the Scheme trustees and actuaries and for which there is no funding cap set out in the franchise contract. We understand that franchise contracts entered into in the future will clarify that RPS pension deficits and surpluses will not be the responsibility of the outgoing franchisee following exit.

To comply with FRS 17, the Company is required to account for its legal obligation under the formal terms of the RPS and its constructive obligation that arises under the terms of its franchise agreement.

In determining the appropriate accounting policy for the RPS to ensure that the Company's financial statements present a true and fair view of its financial position, financial performance and cash flows, Group management has consulted with TOC industry peers and has concluded that the Company's constructive but not its legal RPS defined benefit obligations should be accounted for in accordance with FRS 17. This accounting policy means that the Company's financial statements reflect that element of the deficit anticipated to be settled by the Company during the franchise term and will prevent gains arising on transfer of any existing RPS deficit to a new owner at franchise exit.

In calculating the Company's constructive obligations in respect of the RPS, the Company has calculated the pension deficits for its RPS section in accordance with FRS 17 and the assumptions set out above. These deficits are reduced by a "franchise adjustment" which is that portion of the deficit projected to exist at the end of the franchise and for which the Company will not be required to fund. The franchise adjustment, which has been calculated by the Company's actuaries is offset against the present value of the RPS liabilities so as to show a true and fair view of the financial performance, position and cash flows of the Company's obligations.

As set out above, under the UK accounting framework, on entering into a franchise contract, the Company must record its obligations under the terms of the RPS. Whilst there is no economic inflow at inception for assuming this liability, the Company is prepared to take responsibility as designated employer under the terms of the scheme, as it has obtained the right to operate specified rail services for a fixed period. Consequently, for the new franchise extension entered into on 01/04/2004 the Company has recorded the corresponding accounting entry as an intangible asset, on recording the pension liability at inception of the extension contract, (net of deferred tax). This reflects the right to operate rail services and the cost of the intangible asset is equal to the liability it is willing to take responsibility for in anticipation of generating future economic benefits. The recognition of the intangible asset is a departure from the requirements of FRS 10 as it does not meet the standard's definition of a separately identifiable asset. However, the Company believes that this accounting treatment is appropriate to avoid the pension deficit at franchise inception

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the year ended 31 December 2005

22. Retirement benefits (continued)

being reported as a loss, which in the Company's view would distort the reported financial position and performance of the Company as to render them positively misleading.

If the Company had accounted for its legal obligation in respect of the RPS instead of the constructive obligation, the following adjustments would have been made to the financial information:

	2005 £000	2004 £000
Balance Sheet		
Intangible asset	51	254
Net pension liability (net of deferred tax)	(7,770)	(6,720)
	(7,719)	(6,466)
Statement of total recognised gains and losses		
Actuarial (losses)	(1,000)	(1,150)
Tax on actuarial (losses)	300	345
	(700)	(805)
Profit and loss account		
Finance income	(500)	(500)
Intangible asset amortisation	203	152
Deferred tax credit	150	150
	(147)	(198)

The valuations conducted for financial reporting purposes are based on the triennial actuarial valuation. A summary of the latest full actuarial valuation for the section relating to the Company and assumptions made, is as follows:

Date of actuarial valuation	31 December 2004
Actuarial method used	Projected unit
Rate of investment returns per annum	4.8%-6.8%
Increase in earnings per annum	4.3%
Scheme assets taken at market value	£78.1m
Funding level	90.4%

The most recent triennial valuations are then updated by independent professionally qualified actuary to take account of the requirements of FRS 17. The main actuarial assumptions underlying the FRS 17 valuations are:

	2005 % pa	2004 % pa	2003 % pa
Inflation assumption	2.7	2.7	2.6
Rate of increase in salaries	3.7	4.2	4.1
Rate of increase of pensions payments	2.7	2.7	2.6
Discount rate	4.8	5.5	5.6

West Anglia Great Northern Railway Limited

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For the year ended 31 December 2005

22. Retirement benefits (continued)

The assets in the scheme, the expected rates of return and the net pension liability were:

Assets in the scheme	Rate of return 2005	2005 £'000	Rate of return 2004	2004 £'000	Rate of return 2003	2003 £'000
Equities	8.0%	78,400	8.5%	60,600	8.5%	78,900
Bonds	4.8%	9,600	4.9%	7,600	5.0%	9,400
Property	6.2%	8,400	6.7%	6,400	6.8%	6,200
Others	3.8%	200	4.0%	3,100	4.0%	100
Total fair value of assets		96,600		77,700		94,600
Company's share of present fair value of scheme liabilities		(107,820)		(87,720)		(106,540)
Franchise adjustment		11,100		9,600		11,780
Company's share of deficit in the schemes		(120)		(420)		(160)
Related deferred tax asset		36		126		48
Company's share of net pension liability		(84)		(294)		(112)

Analysis of the amount charged to operating profit:

	2005 £'000	2004 £'000
Current service cost	(3,100)	(3,560)
Charge to operating profit	(3,100)	(3,560)

Analysis of amount credited to finance income:

	2005 £'000	2004 £'000
Expected return on pension assets	3,700	4,180
Interest on company share of pension liabilities	(2,900)	(2,850)
Interest on franchise adjustment	500	500
Net credit to finance income	1,300	1,830

Analysis of amounts included in the statement of total recognised gains and losses

	2005 £'000	2004 £'000
Actual return less expected return on pension scheme assets	6,600	1,000
Experience loss arising on company's share of pension scheme liabilities	(7,100)	(1,890)
Changes in assumptions underlying the present value of the company's share of the pension scheme liabilities	100	240
Actuarial loss recognised in the statement of total recognised gains and losses	(400)	(650)

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the year ended 31 December 2005

22. Retirement benefits (continued)

Movement in the deficit during the year:

	2005 £000	2004 £000
Company's share of deficit at 1 January	(420)	(160)
Franchise entry	-	(580)
Current service cost	(3,100)	(3,560)
Cash contributions	2,500	2,700
Finance income	1,300	1,830
Actuarial loss recognised in the statement of total recognised gains and losses	(400)	(650)
Company's share of deficit at 31 December	(120)	(420)

History of experience gains and losses:

	2005 £'000/%	2004 £'000/%	2003† £'000/%	2002† £'000/%
Difference between the expected and actual return on the scheme assets:				
Amount	6,600	1,000	6,400	(13,700)
Percentage of scheme assets	6.8%	1.3%	6.8%	(17.8)%
Experience gains and losses of company's share on scheme liabilities:				
Amount	(7,100)	(1,890)	(300)	(1,500)
Percentage of the present value of company's share of scheme liabilities	6.6%	2.2%	0.3%	1.7%
Total amount recognised in the statement of total recognised gains and losses:				
Amount	(400)	(650)	(600)	(15,200)
Percentage of the present value of company's share of scheme liabilities	0.4%	0.7%	0.6%	17.6%

†Experience gains and losses on company's share of scheme liabilities and total recognised gains and losses for 2003 and 2002 are not restated for the FRS 17 true and fair override noted above.

23. Cash flow statement

As the Company is a wholly owned subsidiary undertaking of National Express Group PLC (a company registered in England & Wales) and is included in that company's consolidated financial statements, the Company has taken advantage of the exemption provided under FRS 1 (Revised), "Cashflow Statements", whereby it is not required to publish its own cash flow statement.

West Anglia Great Northern Railway Limited

Notes to the Accounts

For the year ended 31 December 2005

24. Related party transactions

The Company has taken advantage of the exemption under Financial Reporting Standard (FRS) 8, "Related Parties" from providing details of related party transactions with fellow subsidiaries which are 90% owned or more as they are included within the consolidated accounts of its ultimate parent company National Express Group PLC, which are publicly available.

In respect of services provided, the Company made transactions of £33,641 (2004: £31,146) in the year with thetrainline.com, a subsidiary of Trainline Holdings Limited, which is 14% owned by a fellow subsidiary of the Company. At the year end there was £nil (2004: £3,930) due to thetrainline.com within creditors.

25. Ultimate parent and controlling undertaking

The Company is a wholly owed subsidiary undertaking of, and is controlled by, National Express Trains South Limited, a company registered in England and Wales.

The ultimate parent company is National Express Group PLC.

The results of the Company are included in the consolidated accounts of National Express Group PLC for the year ending 31 December 2005.

Copies of these accounts are available from:-

The Secretary
National Express Group PLC
75 Davies Street
London
W1K 5HT